

DB
3/5



02018111

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING April 1, 2001 AND ENDING December 31, 2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Peel Hunt Incorporated

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

62 Threadneedle Street

(No. and Street)

London

(City)

United Kingdom

(State)

EC2R 8HP

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Richard B. Sobel

(212) 338-0090

(Area Code- Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Goldstein Golub Kessler LLP

(Name - if individual, state last, first, middle name)

1185 Avenue of the Americas

(Address)

New York

(City)

NY

(State)

10036-2602

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

P MAR 21 2002

FOR OFFICIAL USE ONLY

THOMSON
FINANCIAL

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number

3-19

OATH OR AFFIRMATION

I, Charles Edward Willoughby Peel swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Peel Hunt Incorporated, as of February 28, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

20 February 2002

Maun

Notary Public

Notary Public, London, England
(Andrew J. Claudet)

My Commission Expires with Life

This report** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of *Cash Flows*
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

Ch Peel

Signature

Title



** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e) (3).



GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Peel Hunt Incorporated

We have audited the accompanying statement of financial condition of Peel Hunt Incorporated (a wholly owned subsidiary of KBC Peel Hunt Ltd. of London, formerly known as Peel Hunt plc) as of December 31, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Peel Hunt Incorporated as of December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Goldstein Golub Kessler LLP
GOLDSTEIN GOLUB KESSLER LLP

January 31, 2002

□

1185 Avenue of the Americas Suite 500 New York, NY 10036-2602

TEL 212 372 1800 FAX 212 372 1801 www.ggk.com

NEXIA INTERNATIONAL IS A WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTING AND CONSULTING FIRMS

PEEL HUNT INCORPORATED
(a wholly owned subsidiary of KBC Peel Hunt Ltd.,
formerly known as Peel Hunt plc)

STATEMENT OF FINANCIAL CONDITION

December 31, 2001

ASSETS

Cash	\$ 287,345
Deposit with Clearing Broker	100,000
Receivable from Clearing Broker	138,136
Securities Owned, at fair value	100,800
Other Assets	13,593
Total Assets	\$ 639,874

LIABILITIES AND STOCKHOLDER'S EQUITY

Accrued Expenses	\$ 25,374
Subordinated Loans	199,982
Stockholder's Equity:	
Common stock - \$.01 par value; authorized 3,000 shares, issued and outstanding 200 shares	2
Additional paid-in capital	299,998
Retained earnings	114,518
	414,518
Total Liabilities and Stockholder's Equity	\$ 639,874

See Notes to Statement of Financial Condition

PEEL HUNT INCORPORATED
(a wholly owned subsidiary of KBC Peel Hunt Ltd.,
formerly known as Peel Hunt plc)

NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2001

- 1. ORGANIZATION AND BUSINESS ACTIVITY:**

Peel Hunt Incorporated (the "Company") is a wholly owned subsidiary of KBC Peel Hunt Ltd. of London, United Kingdom, formerly known as Peel Hunt plc (the "Parent"). The Company is a registered broker-dealer with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Its principal business activity is brokering United Kingdom securities for its U.S. customers. The Company, which was incorporated in Delaware in 1996, began operating in April 1997 and was licensed as a broker-dealer in October 1997.

During the nine-month period ended December 31, 2001, the Company changed its fiscal year-end to December 31.
- 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Securities owned represent investments in securities of privately held companies not readily marketable amounting to \$100,800 (24.3% of stockholder's equity) which have been valued at cost, which approximates fair value as determined by management.

Commission revenue and related expenses are recorded on a trade-date basis.

This financial statement has been prepared in conformity with accounting principles generally accepted in the United States of America which require the use of estimates by management.
- 3. RECEIVABLE FROM CLEARING BROKER AND CONCENTRATION OF CREDIT RISK:**

The clearing and depository operations for the Company's and customers' securities transactions are provided by one broker pursuant to a clearance agreement.

The Company does not carry accounts for customers or perform custodial functions related to customers' securities. The Company introduces all of its customer transactions, which are not reflected in this financial statement, to its clearing broker, which maintains the customers' accounts and clears such transactions.

The Company has agreed to indemnify its clearing broker for losses that it may sustain from the customer accounts introduced by the Company. As of December 31, 2001, there were no unsecured amounts owed to the clearing broker by these customers in connection with normal margin, cash and delivery against payment transactions.
- 4. RELATED PARTY TRANSACTIONS:**

Certain costs related to the Company were paid by the Parent. These costs consist primarily of interest on subordinated loans and rent expense.

The Company leases office space and facilities from the Parent under an operating lease at \$20,000 per annum.

PEEL HUNT INCORPORATED
(a wholly owned subsidiary of KBC Peel Hunt Ltd.,
formerly known as Peel Hunt plc)

NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2001

5. DEFERRED TAXES: The Company recorded a deferred income tax asset for the tax effect of net operating loss carryforwards and temporary differences, aggregating approximately \$1,200. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company has recorded a full valuation allowance as of December 31, 2001.

6. NET CAPITAL REQUIREMENT: The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 which requires that net capital, as defined, shall be the greater of \$5,000 or one-fifteenth of aggregate indebtedness, as defined. At December 31, 2001, the Company had net capital of \$500,107, which was \$495,107 in excess of the minimum net capital requirement. The ratio of aggregate indebtedness to net capital was .05 to 1.

7. SUBORDINATED LOANS: The subordinated loans are payable to shareholders of the Parent. The borrowings under subordination agreements at December 31, 2001 consisted of:

Subordinated notes, 6%, due April 30, 2002	\$199,982
--	-----------

The subordinated borrowings are available in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.



PEEL HUNT INCORPORATED
(a wholly owned subsidiary of KBC Peel Hunt Ltd.,
formerly known as Peel Hunt plc)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2001

GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants





PEEL HUNT INCORPORATED

**INDEPENDENT AUDITOR'S
SUPPLEMENTARY REPORT ON
INTERNAL CONTROL**

DECEMBER 31, 2001

GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants





GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON INTERNAL CONTROL

To the Board of Directors
Peel Hunt Incorporated

In planning and performing our audit of the financial statements and supplemental schedule of Peel Hunt Incorporated (the "Company") for the nine-month period ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

□

1185 Avenue of the Americas Suite 500 New York, NY 10036-2602

TEL 212 372 1800 FAX 212 372 1801 www.ggk.com

NEXIA INTERNATIONAL IS A WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTING AND CONSULTING FIRMS



Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of Peel Hunt Incorporated to achieve all the divisions of duties and cross-checks generally included in a system of internal control and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of the board of directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Goldstein Golub Kessler LLP
GOLDSTEIN GOLUB KESSLER LLP

January 31, 2002